FOREIGN POLICY bulletin

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A New Round for Sterling

by William W. Wade

Another contingent of British government leaders has completed a mission to Washington. This time it was Foreign Secretary Anthony Eden and Chancellor of the Exchequer R. A. Butler. An important part of their discussions concerned the economic difficulties of Britain and the sterling area, a topic well explored and expounded by a succession of visitors from London—by Lord Keynes as early as 1945, by Sir Stafford Cripps in 1949 and by Prime Ministers Clement Attlee and Winston Churchill on various other journeys.

Published accounts of these most recent conversations have a ring reminiscent of all the others. There is again a reference to the Anglo-American goal of freer, multilateral trade. The need for further United States tariff reductions, customs simplification and greater overseas investments was touched upon. Once more there was mention of the desirability of sterling convertibility and the necessity for sound internal policies, competitive efficiency and a climate favorable to private foreign lending on the part of debtor countries.

If anything, the communiqué issued on March 7 at the conclusion of the economic talks was even more replete with the familiar phrases about sterling-dollar relationships than its predecessors. Aside from its restatement of goals, it declared in effect that the British spokesmen had brought with them a series of proposals, themselves rather vague, agreed upon at the Commonwealth economic conference in London in December. The United States, for its part, promised to take these under advisement, leaving itself free to suggest alternatives. The only implication of an American commitment was a reference to President Eisenhower's State of the Union message, which called for extension of the Reciprocal Trade Agreements Act, customs simplification, encouragement to foreign investment and offshore purchase of items needed for defense.

The more than usual official reticence shown by both sides makes it difficult to evaluate the concrete results of the Washington conference. Mr. Eden did not gloss over the difficulties involved in arriving at a mutually satisfactory agreement. Addressing the Foreign Policy Association in New York on March 12, he said: "There is complete agreement between us upon objectives. But it is

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equally clear, and it won't surprise you, that much study will be needed on both sides of the Atlantic before we can make practical progress together. It will not be easy for any of us to develop the policies which will be needed if a sound economic system is to be built for the free world as a whole."

On the British side, the discussions represent something new and different. In contrast to the Cripps mission in 1949 just before the devaluation of the pound, the Eden-Butler trip was born less of desperation than it was of considerable advance planning to avoid recurrences of the sterling crisis. In fact, the British arrived with a cautious plan for restoring sterling convertibility "by progressive stages and within reasonable time." Such a slackening of exchange controls for a large portion of the trading world is something which Washington has sought steadfastly since the end of the war. It would mean that exporters anywhere in the world selling goods to the sterling area would be able to convert their pounds into dollars and hence buy American products with a new-found freedom.

New British Approach

London's willingness to attempt convertibility again (sterling was made convertible briefly and disastrously in 1947 under the conditions of the 1945 Washington loan agreement) is due to some improvement in Britain's financial position and to pledges of support from other members of the Commonwealth. It is also, at this stage, conditional on a number of responses from the United States.

British economic progress is still far from the point where a venture into convertibility entails no risk. In recent months there has been some improvement of the sterling area's reserves, and several factors favorable to a renewed experiment with convertibility have developed. However, a report issued by the Committee for Economic Development in New York on February 28 points out vividly that Britain's defense burdens, its continued precarious competitive position in some international markets and its need for greater productivity are all points of potential danger.

Role of Commonwealth

The Commonwealth proposals for progressive convertibility have yet to be spelled out in detail for public consumption. They may be announced soon. Meanwhile, there have been a number of official generalizations and reports which give some indication of what actions the Eden-Butler mission sought from the new Administration in Washington. One was some form of stabilization fund to underwrite the pound when it is cut loose, either a modification of the International Monetary Fund or a new arrangement. Another was considera- tion of machinery to stabilize world commodity prices along the lines of the International Wheat Agreement. A third involves possible minor concessions in trade agreements to the imperial preference tariff system. A fourth was the problem of stimulating American private investments in the Commonwealth and the British colonies.

What chances are there that the United States will accept any of these conditions? Obviously this was what the British came to explore, and obviously they went away without any firm assurances from the Administration. For it is still a moot question of how much and on what terms Congress will be willing to implement a trade-not-aid program.

Undoubtedly the tenor of the foreign economic section of the President's State of the Union message was heartening to the British visitors. But they have cause to remember that at least one of the items mentioned, customs simplification, was a subject for urgent consideration when Sir Stafford Cripps crossed the Atlantic in 1949. The Reciprocal Trade Agreements Act was renewed at that time, too—without the peril-point provision which slipped into the act in 1951 and will probably remain there when Congress extends it again this year. The possibility of getting Capitol Hill acquiescence to a stabilization fund or to international commodity price stabilization does not appear either great or imminent without a good deal more preparation and discussion.

The British have only begun such preparation and discussion. They evidently hope that as the Commonwealth acts increasingly as a unit, it will carry greater weight in Washington than it has in the past.

(Mr. Wade, former editor of the HEADLINE SERIES and a contributor to the FOREIGN POLICY BULLETIN on developments in Britain, is now engaged in public relations work.)

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Will U.S. Back 'Trade, Not Aid'?

The visit to Washington of British Chancellor of the Exchequer R. A. Butler, coiner of the phrase, "Trade, not aid," has put the meaning of his slogan in a new perspective and perhaps improved the prospects that the United States will take official note of it.

Hitherto the view was expressed both here and in Europe that the need for American aid would disappear if the United States would abandon its historic protectionism. Now, however, Britain hopes that the dollar gap can be closed and international trade can be expanded, not through singlehanded action on the part of the United States, but through the concerted lowering of trade barriers by all nations in the Western world, including this country. This important change in emphasis is suggested in the joint statement issued by American and British officials on March 4, when Mr. Butler and Foreign Secretary Anthony Eden arrived here for talks with officials in the Eisenhower Administration. Noting that the purpose of the talks was to acquaint American officials with the results of the Commonwealth Conference in London last autumn,* the statement said: "The conference suggested a series of steps that might be taken to further . . . *international action* to make possible the relaxation of trade and exchange restrictions."

Protectionist Washington

At the moment the outlook for major unilateral revisions of trade policy by the United States are not bright. In his State of the Union message to Congress, President Eisenhower said that his Administration would recognize in its foreign policy the importance of profitable and equitable world trade; but he also said that American tariff policy "must not ignore legitimate safeguards of domestic industries, agriculture and labor standards." This latter statement has given confidence to supporters of the peril-point clause in the present Reciprocal Trade Agreements Act that the clause can be retained with the Administration's approval when the Act is considered by Congress for renewal this June. Secretary of Commerce Sinclair Weeks talked in similar vein when he warned last autumn (before he entered the cabinet but after he had been selected for the post) against exposing American industrialists to competition from foreign products. The peril-point is a protectionist device which makes possible an increase of tariffs by administrative action.

The new Congress has given many indications that its members favor trade restrictionism. The falling market for farm products has strengthened this tendency. The chairman of the Senate Foreign Relations Committee, Senator Alexander Wiley of Wisconsin, on February 2 presented the Senate with resolutions from Wisconsin cheese-makers asking for "corrective measures under appropriate legislation to assure agricultural relief from excessive imports." Two days later he told the Senate that the "American market must be protected primarily for American producers." Senator Andrew F. Schoeppel, Republican of Kansas, has proposed the establishment of import quotas on products competing with American commodities. Tariff legislation is in the jurisdiction of committees whose chairmen have long favored protectionist philosophy; they are Representative Daniel A. Reed of the House Ways and Means Committee and Senator Eugene D. Millikin of the Senate Finance Committee.

Liberal Trade Supporters

These restrictionist tendencies have not been modified by such noteworthy arguments for liberalization as those made last fall by the National Association of Manufacturers and more recently by Henry Ford 2nd and the Public Advisory Board for the Mutual Security Agency. The board on March 4 recommended that "decisions on trade policy be based on national interest rather than the interest of particular industries or groups; that in cases where choice must be made between injury to the national interest and hardship to an industry, the industry be helped to make adjustments by means other than excluding imports — such as through extension of unemployment insurance, assistance in retaining workers, diversification of production and conversion to other lines." But the tariff is still a local issue. Congress continues to approach trade policy from the point of view of particular group interests rather than national interest.

With the prospect for American action toward liberalization of its own trade policies so uncertain, the emphasis on international action emanating from the Butler-Eden visit has an importance it might lack at other times. The American farmer depends to a large extent on foreign markets,

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* See D. F. Heatherington, "Commonwealth Economic Conference," FOREIGN POLICY BULLETIN, February 15, 1953.

War or Peace with Russia?

Stalin's death, announced on March 7, and the prompt and orderly reorganization of the Soviet government, with Georgi M. Malenkov, as predicted, succeeding the veteran Bolshevik leader, have posed in sharper terms than at any time since the end of World War II the fateful twofold question: Will there be war or peace with Russia? And if peace proves impossible of achievement under the new Soviet regime, will the world face continuance of the cold war, or is it about to witness a new global Armageddon with all the added horrors of atomic destruction?

The days immediately following Stalin's death and solemn funeral offered conflicting answers to these questions. The initial assumption in Washington, on which a Voice of America propaganda campaign was at first based, was that the disappearance of the dictator who by iron rule during 30 turbulent years had held the vast empire of the U.S.S.R. together, had transformed it into a great industrial power now rated as second only to the United States and had carried it to victory in a grueling war with Nazi Germany, then regarded as the outstanding power on the European continent, would at the very least weaken Russia for a time and, at most, plunge the country into chaos. Presumably anticipating this diagnosis of the situation in non-Communist countries, the Soviet leaders placed notable emphasis on the need to present to the outside world a picture of the greatest possible unity and strength.

Whatever may have been the internal tensions caused by the struggle for Stalin's succession before his death—and recent developments such as the anti-Zionist campaign reflected some of these tensions—a vigorous effort was clearly made to reconcile the potentially conflicting groups within the one-party dictatorship as well as within the multinational Soviet empire, which, like the Tsarist empire before it, remains vulnerable to separatist agitation, notably in the Ukraine.

Mixed Straws in the Wind

The emphasis placed by Malenkov, Beria and Molotov in their speeches of March 9 at Stalin's funeral on promises of "peace and plenty" and on the prospect of friendly trade relations with other nations has caused some observers to speculate whether the new premier, regarded as a "Russia-firster," may, once the transfer of power has been firmly effected, initiate negotiations leading to the period of "co-existence" of capitalism and communism frequently mentioned in recent months by Stalin and Malenkov. If negotiations were to be the order of the day, Molotov and Mikoyan might be expected to play an important part in their respective fields of political and business diplomacy. In his speech to the Supreme Soviet of the U.S.S.R. on March 16 Malenkov declared in what some foreign diplomats in Moscow interpreted as a bid to negotiations, that "at the present time there is not one disputed or undecided question that cannot be decided by peaceful means," adding, "This is our attitude toward all states, among them, the United States of America."

In line with Stalin's expectation of rifts within the non-Communist coalition of nations, however, the new Kremlin leaders may have as their primary purpose to detach key countries in Europe, Asia and the Middle East from the United States rather than to negotiate with Washington. The shooting of two American jet planes by Czech fliers and of a British bomber by a Russian plane, which Mr. Eden described in his Foreign Policy Association address as "barbaric," appear to contradict the prospect of negotiations and to represent deliberate provocation of reprisals by the Western powers which might ignite the spark of World War III.

But, quite aside from the tension along the German border created by the transfer of power in Russia, by the Kremlin's apparently genuine fear of German rearmament and by the contiguity of Western and Russian armed forces, these incidents, assuming they have been deliberately planned, could have another purpose. They may represent an attempt to impress Germany—as earlier Soviet flights in the vicinity of the Japanese islands may have been intended to impress Japan—with Moscow's determination to resist the military restoration of Russia's two World War II enemies, and to bring about a situation where Bonn and Tokyo, not to speak of other capitals, would review their policy toward the United States and the U.S.S.R.

Whatever the outlook may be—an all-out effort by the Malenkov regime to drive wedges into the non-Communist coalition or to prepare the ground for expansion of the cold war into a hot war—it would seem wise for the United States not to count too heavily on the possibility of internal turmoil in Russia such as followed Lenin's death in 1923, and

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Soviet Economy Under Fifth Five-Year Plan

by Oleg Hoeffding

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The need to impress the 19th Communist party Congress last October with economic achievement since 1940, and to inform it of the goals set for further efforts, prompted the Soviet authorities to release some extra allowances of economic information which slightly ease the task of divining the condition and prospects of the Soviet economy.

At that time the late Premier Joseph Stalin's ideological keynote pamphlet on the *Economic Problems of Socialism* furnished some implicit directives for domestic economic policy. The wraps came off the fifth Five-Year Plan, covering 1951-1955, after it had been in operation for two years. The economic progress report to the Congress made by Georgi Malenkov, who has now succeeded Stalin as premier, was freer with physical output figures than Soviet sources had been for years. There was but one offset to these gains in visibility across the Iron Curtain: Soviet authorities belatedly acknowledged early in 1952 that their industrial production indexes had exaggerated production growth, and adopted a new index technique supposedly free of this bias. However, they did not say how this change affected index numbers released for 1952 and the 1955 targets of the new plan, and consequently the comparability of these data with those for previous years remains in some doubt.

Malenkov's report recited an impressive record of postwar reconstruction, followed by industrial expansion far beyond prewar levels. It also showed how consistently Soviet leadership had clung to its tenet of giving primacy to heavy industry, and how belatedly and incompletely Soviet consumers were allowed to share in the fruits of postwar recovery.

Accent on Heavy Industry

In 1952 producers' goods industries (which include war production) were claimed to have turned out 270 percent of their 1940 output volume, while consumers' goods output reached 160 percent of a 1940 level which already had been cut by prewar rearmament and was shared by a smaller population. Both figures are subject to the now acknowledged upward bias of the Soviet index and may exaggerate actual increases, but the divergence between the two industrial sectors stands out. Malenkov noted that the 1940 output volume was restored in 1947-1949 for coal, steel, cement and oil, but not until 1950 for footwear and 1951 for cotton textiles. His figures for per capita output in 1952 ranged from 150 to 200 percent of 1940 for the "heavies," while for cotton fabrics it was 120 percent. He did not give per capita data for other typical manufactured consumers' goods, but even if they do not compare too impressively with prewar, the Soviet consumer may well feel today that he "never had it so good" if he compares his lot with the grim years at the close of the war. As Malenkov had it, the output of industrial consumers' goods in 1952 was nearly threefold that of 1944 and 2.4 times the 1946 volume.

The food supply in towns may have been more ample in 1952 than ever in the last quarter of a century. However, official data on retail sales of food products probably draw too rosy a picture when they claim that 1952 sales of meat, fish, edible fats and sugar ranged around 200 percent of 1940 sales. This is hard to reconcile with the acknowledged fact that the 1952 cattle population was only 10 percent and hog numbers 16 percent above 1940, while sugar output exceeded the prewar volume by 50 percent. Presumably the retail sales figures reflect a postwar diversion of food supply to the network of state and cooperative shops from the "collective farm market," which is not covered by the figures.

Soviet austerity is also being relieved by growing supplies of consumers' durables. Large advances over 1951 were claimed last year in output and sales of furniture, radios and "televisors," watches, bicycles and cameras. However, as no absolute figures were released, one does not know how far such items penetrate beyond the privileged groups. All in all, and taking account of the purchasing power of Soviet wages, consumption of high-grade foodstuffs and manufactured essentials must still be very limited by the standards of North America and most of Western Europe, and Malenkov conceded with unusual candor that "we still have an acute housing shortage everywhere."

The most solid achievement reported to the Congress was in the expansion of heavy industries. These had received the lion's share of the

formidable 64 percent of total Soviet investment channeled into industry in 1946-1951, and had benefited most from the increase by 77 percent over 1940 in industrial plant and buildings claimed by 1952. That this undeviating emphasis on the "heavies" had not remained unopposed in the Kremlin may be inferred from Stalin's pamphlet, with his stern rebuff to those who regard light industry as economically more profitable, and his reaffirmation of the primacy of "production of the means of production" not only under "socialism" but also on the long road to "communism."

The fruits of persistence in the true "Stalinist" line appear in the growth of Soviet production of basic materials, fuels and power:

(million metric tons)	*1940*	*1950*	*1952*
Crude steel	18.3	27.3	35
Pig iron	14.9	19.2	25
Coal and lignite	166	261	300
Crude oil	31	38	47
Electric power (billion KWH)	48	90	117

Impressive gains were reported in other branches of heavy industry. Malenkov claimed that 1952 output of "machines and equipment" (a category which includes much military "hardware") was more than threefold the 1940 volume. Large advances were claimed for equipment destined further to expand the output of basic materials and power: output of metallurgical machinery in 1952 was 5.4 times, and of petroleum equipment 4.3 times, the prewar volume.

Targets and Achievements

However, the recent record of the "heavies" cannot be fully satisfactory to the Kremlin when checked against the targets of the fifth Five-Year Plan. Gross industrial output in the U.S.S.R. is scheduled to increase by 70 percent in 1951-1955. By 1952, it was claimed to have grown by 29 percent over 1950. In other words, in the first two years of the plan it had increased by just about two-fifths of the total increase planned for the five-year period. Yet this linear rate of over-all progress towards the 1955 goal was not matched by most of the "heavies" reported on in 1952, with reference to their individual 1955 targets. In fact only crude and rolled steel output achieved more than 40 percent of the expansion scheduled for 1951-1955. Most other industries had covered from one-fifth to one-third of the way they must go to meet their 1955 targets, and quite a few, less than that. In the two years, output of metallurgical and petroleum equipment increased respectively by 14 to 18 percent of what admittedly are especially ambitious five-year expansion targets set by the plan, and machine tool output, similarly, by only 9 percent.

A notable feature of the data released on the performance of Soviet heavy industry in 1952 was a fairly general tendency for last year's output increases to be smaller, percentage-wise, than those achieved in 1950 and 1951. One exception to this pattern of sustained expansion at a diminishing rate of growth deserves mention: the output in the timber industry, long criticized as a laggard, actually appears to have declined in 1952. The industry was upbraided for its failures in the party's directives on the new plan, and a new Soviet-Finnish trade agreement for 1953-1955 provided for increased imports of timber, once Russia's leading export commodity.

On the whole most Soviet heavy industries seem to be hard put to keep up with the exacting output expansion schedules of the 1951-1955 plan. This may reflect the encroachment of an increased military effort on resources originally earmarked for producers' goods industries. On the other hand, there is no indication that further expansion of the "heavies" is being seriously neglected to the profit of either current war production or consumers' goods production. The total volume of investment in Soviet industry in 1951-1955 is to be double that achieved in 1946-1950, but the increases in investment claimed for 1951-1952 in power plants, mining, metallurgy and engineering foreshadow more than a doubling of the investment volume going to this group. By contrast, investment in light and food-processing industries—relatively neglected in 1946-1950—increased by only 10 percent between 1950 and 1952. Even more modest increases have been reported for investment in state farms and MTS (machine-tractor-stations) and in transportation.

The volume of urban housing construction remained stationary at 27 million square meters of floorspace in 1951 and 1952, a rate probably already attained in 1950 and not sufficient to meet the plan goal of

building some 200 million square meters in 1951-1955. A decline was acknowledged in rural construction, from 400,000 homes in 1951 to 370,-000 in 1952. Malenkov criticized the building industry for completing 4 million square meters of urban dwellings less than the annual plans had called for in 1951 and 1952. While high in relation to prewar, the present rate of home construction will not assure more than exceedingly slow progress in relieving the extreme overcrowding in Soviet towns, a fact which serves as a serious offset to whatever improvement in Soviet living standards is taking place in other respects.

While the super-priority accorded to military production may have checked the rate of growth of output in some of the favored heavy industries, the lower-priority industries producing consumers' goods have done better with reference to their plan targets for 1955. This is not surprising. First, their targets are less ambitious: an output increase by 65 percent over 1950 is scheduled by 1955 for light industries as a whole, as against 80 percent for heavy industries. Second, military needs compete less directly for facilities in light industry. Finally, food, textiles and footwear used by the armed forces are included in the published output data. Consumers' goods production as a whole has already achieved 45 percent of the total scheduled five-year increase, and output of fabrics and footwear is even further ahead of the two-fifths mark. Food processing industries have done less well, with production increases in 1951-1952 ranging from 14 percent of the increase assigned for 1951-1955 for butter to one-third for meat and fish products. Their slower progress presumably reflects the condition of agriculture, still a problem child of the Soviet economy.

The fifth Five-Year Plan demands a "gross grain harvest" of 175-190 million metric tons in 1955, as compared to 132 in 1952, 122 in 1951 and 125 in 1950. Most of the planned increase in grain production will depend on higher yields, which in the more fertile Soviet regions are to be brought close to the best Western European levels by 1955, a most ambitious assignment. Its attainment hinges largely on much greater use of fertilizers. Chemical fertilizer output is due to increase by 88 percent in 1951-1955, but it had grown only 18 percent by 1952. As already noted, there has been little increase in capital investment in state farms and MTS since 1950. Deliveries of tractors and trucks to agriculture were reduced in 1951 and again in 1952, when it also received fewer harvester combines. Nor is there any indication yet that the recent merger of collective farms (now numbering 97,000 as against 254,000 in 1949) has raised the efficiency of collective farming.

Agriculture—Problem Child

Indications that the *kolkhoz* system, even after this far-reaching reform, is not regarded as perfect in high quarters were provided by Stalin's pamphlet. He rejected one major reform proposal: to transfer the state-owned and state-subsidized MTS to the collectives. This would have saddled the latter with the burden of financing the MTS, now carried by the state budget; and Stalin opposed a move which in effect would have impaired rural terms of trade but also might have weakened political control of the collectives. Instead, Stalin himself advocated a change. As part of his advice on how to move collective farming towards "communism," he proposed adoption of a system of barter of farm produce for industrial goods which, he claimed (without explaining why), would raise real farm incomes. Presumably such a scheme would also increase the dependence of collective farms on the state. Stalin's preoccupation with the Soviet equivalent of "farm parity" suggests that he believed collective farming to be in need of greater economic incentives —or, perhaps, of more carrot and more stick.

For the time being, the ability of Soviet agriculture to achieve the planned expansion in grain output, and the no less ambitious targets for other crops, must remain gravely in doubt. Animal husbandry also presents problems. The modesty of the plan's cattle and hog targets (which condemns the fast-increasing Soviet population to a diet low in animal foods) and the decision not to replace all wartime losses of horses may be due to a desire not to jeopardize the "solution of the grain problem," proclaimed as a major triumph since 1950. However, except for hogs (which by 1952 had achieved nearly 75 percent of the increase due in 1951-1955), progress towards the livestock targets has been slow. Cattle increased by 1.6 million head in 1951 but only by 200,000 in 1952, with an increase by 4.7 million needed in 1953-1955 to make the target. Sheep and goats increased by 12 million head in 1951-1952, but the plan calls for an increase by another 47 million in 1953-1955. One wonders if the transfer of animals from individual to collective ownership and care, actively promoted since the war, has done Soviet livestock much good. On the whole, in crop production and animal husbandry, one looks in vain for trends likely to correct in the foreseeable future the imbalance between the farm and nonfarm sectors which has resulted from Soviet industrialization policies and the collectivization experiment.

Some of the most significant trends

revealed by the recent crop of Soviet economic data concern the movement of the nonfarm labor force and labor productivity. The 1951-1955 plan schedules only a moderate increase, from 39.2 to 45.1 millions, in the number of "workers and employees in the economy" (a figure which excludes collective farmers, forced labor and armed forces). Hence, a major portion of the planned increase in nonfarm output is to rest on gains in labor productivity, which is due to increase by 50 percent over 1950 in industry and by 55 percent in construction. So far, expansion of the labor force has kept up to schedule: at the end of 1952 it stood at 41.7 million, having achieved 43 percent of the total increase set for 1951-1955. However, the net intake of new workers has been falling year by year: from 2 million in 1950 to 1.6 million in 1951 and 900,000 in 1952.

This striking decline, presumably, is due to a combination of increased armed forces recruitment and the delayed effects of high wartime juvenile mortality. Even if it is arrested and the 1952 rate of increase maintained in 1953-1955, the 1955 labor force would fall 600,000 short of the plan goal. This possibility makes rapid gains in labor productivity even more imperative, but the showing on this score cannot be reassuring to the Soviet leadership. By 1952, productivity in industry advanced by 36 percent of the total increase demanded for 1951-1955, and in construction by 31 percent. More important, the rate of increase in productivity is falling off: in industry, from 12 percent in 1950 to 10 percent in 1951 and 7 percent in 1952; in construction from 9.5 percent in 1951 to 7 percent in 1952. It now looks as if both numbers of workers and output per worker might fall short of the plan goals—a combination which would affect the whole industrial program of the fifth plan.

However, it must be stressed in conclusion that most of the shortcomings reviewed above are assessed against ambitious plan goals or else reflect the stress of a formidable military effort. The 1955 goals for basic industries speak eloquently against any complacency in the free world: 44 million tons of steel, 373 million tons of coal, 70 million tons of oil, 162 billion kilowatt-hours of electric power. Even if some of these goals, and those of industries dependent on them, are not fully met, the fact remains that the U.S.S.R. is expanding its industrial potential at a rate not matched by the United States, let alone Western Europe.

READING SUGGESTIONS: Joseph Stalin, *Economic Problems of Socialism in the U.S.S.R.* (New York, International Publishers, 1952); "A Report on Russia," *Fortune*, February 1953; Philip E. Mosely, "The Nineteenth Party Congress," *Foreign Affairs*, January 1953; "The Case of Comrade Voznesensky," *The Economist*, January 10, 1953. For documents of the 19th Communist party Congress, see *The Current Digest of the Soviet Press:* Malenkov's report, issues of November 1, 8 and 15, 1952; Saburov's report on the fifth Five-Year Plan, December 6, 1952.

Newsletter

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and the possibility of their being opened wider might interest him. Some members of Congress, including Senator Wiley, urge European nations to lower their barriers so that they can trade more extensively with each other. Nobody can say positively that Congress would support an international approach to trade liberalization. A few years ago Congress declined to accept membership for the United States in the International Trade Organization. But it is more likely to do so than it is to liberalize American trade policies independently of the rest of the world.

BLAIR BOLLES

Spotlight

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to resist the temptation, natural but dangerous, of inciting Soviet retaliation by propaganda about the possible overthrow of the new government.

VERA MICHELES DEAN

(*The first of two articles.*)

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